

**CALENDAR ITEM
C60**

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06/23/11
PRC 8796.1
N. Lavoie

ASSIGNMENT AND AMENDMENT OF LEASE

LESSEE/ASSIGNOR:

Rosetta Resources Operating LP
717 Texas, Suite 2800
Houston, TX 77002

ASSIGNEE:

Vintage Petroleum, LLC
10889 Wilshire Boulevard
Los Angeles, CA 90024

AREA, LAND TYPE, AND LOCATION:

2.46 acres, more or less, of sovereign land in the San Joaquin River, adjacent to Sherman and Bradford Islands, Sacramento and Contra Costa Counties.

AUTHORIZED USE:

Use and maintenance of an existing four-inch diameter natural gas gathering pipeline encased within a deactivated 10-inch diameter natural gas pipeline as shown on Exhibit A.

LEASE TERM:

20 years, beginning August 22, 2008.

CONSIDERATION:

\$423 per year, with the State reserving the right to fix a different rent periodically during the lease term, as provided by the lease.

PROPOSED AMENDMENT:

Amend Lease No. PRC 8796.1:

1. Section 1 (General Provisions) to revise the liability insurance coverage from not less than \$1,000,000 to not less \$5,000,000.
2. Section 2 (Special Provisions) to revise engineering provisions and add additional engineering and reporting provisions.

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OTHER PERTINENT INFORMATION:

1. Assignee has the right to use the upland adjoining the lease premises.
2. On December 12, 1957, the Commission authorized a Right-of-Way Easement to Pacific Gas and Electric Company (PG&E) for a 10-inch diameter natural gas pipeline (Line 195A). On January 26, 1978, the Commission authorized Master Lease No. PRC 5438.1 to PG&E that incorporated various natural gas pipelines throughout the State into one lease. On August 22, 2008, the Commission authorized the Amendment to Master Lease PRC 5438.1 removing this crossing from the Master Lease and authorized issuance of a new General Lease – Right-of-Way Use Lease No. 8796.1 to Rosetta Resources Operating LP (Rosetta). The Lessee has made application to assign the lease to Vintage Petroleum, LLC.
3. Vintage Petroleum, LLC (Vintage) is a wholly owned subsidiary of Occidental Oil and Gas Holding Corporation (Oxy). Vintage will be responsible for complying with all obligations of the lease for the existing facilities and its parent company, Oxy, is providing an unconditional guaranty for the full performance of all obligations under Lease No. PRC 8796.1.
4. The existing pipeline was installed in 1942 and was maintained and operated by PG&E until 2003. The pipeline sat idle until PG&E sold Line 195A to Rosetta Resources Operating LP (Rosetta) in 2007. Rosetta installed a new four-inch diameter flexible gathering pipeline into the existing deactivated ten-inch diameter pipeline previously used by PG&E. The installation of the four-inch flexible pipeline was completed on November 4, 2008.
5. The pipeline is classified as a rural gathering line flowing natural gas production from Bradford Island to a delivery point on Sherman Island crossing the San Joaquin River. The pipeline was last inspected on May 5, 2010 on the Sherman Island side and on December 14, 2010 on the Bradford Island side. No repairs or modifications made within the lease area were necessitated by the inspections.
6. This lease provides that Lessor may modify the liability insurance requirement periodically during the lease term. Pursuant to this provision, staff has conducted a review of the insurance under this lease, and recommends that the liability insurance coverage be revised from not less than \$1,000,000 to not less than \$5,000,000 per occurrence, effective June 23, 2011.

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7. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Site and Location Map
- B. Land Description

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

AUTHORIZATION:

Authorize the assignment of Lease No. PRC 8796.1, a General Lease Right-of-Way Use, of sovereign land in the San Joaquin River as shown on Exhibit A (for reference purposes only) and as described on Exhibit B attached and by this reference made a part hereof, from Rosetta Resources Operating LP to Vintage Petroleum, LLC and acceptance of a parental guaranty from Occidental Oil and Gas Holding Corporation; effective June 23, 2011.

Authorize the amendment of Lease No. PRC 8796.1 to include the revision of liability insurance coverage from not less than \$1,000,000 to not less \$5,000,000, and revise engineering provisions, and add additional engineering and reporting provisions, effective June 23, 2011.